

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF ROBERT) APPEAL NO. 07-A-2427
AND KELLEEE MERRILL from the decision of the) FINAL DECISION
Board of Equalization of Bonner County for tax year) AND ORDER
2007.)

HOMESTEAD EXEMPTION APPEAL

THIS MATTER came on for hearing October 16, 2007 in Sandpoint, Idaho before Board Member Linda S. Pike. Board Members Lyle R. Cobbs and David E. Kinghorn participated in this decision. Appellant Kellee Merrill appeared at hearing. Assessor Jerry Clemons, Deputy Appraisers Lonalee Hoogland and Holli Hodge appeared for Respondent Bonner County. This appeal is taken from a decision of the Bonner County Board of Equalization denying the protest of the valuation for taxing purposes of property described as Parcel No. RPP081200002AA.

The issue on appeal is the determination of the correct land value associated with a one-acre homesite that is subject to an exemption pursuant to Idaho Code § 63-602G.

The decision of the Bonner County Board of Equalization is reversed.

FINDINGS OF FACT

The subject parcel is a 5.18 acre lot located along Highway 95 North. The lot is within the city limits of Ponderay. Subject is improved with a manufactured home (MH). One acre of land is associated with the residential use. The MH is assessed separately under a different parcel number.

The subject parcel's total assessed land value is \$182,235. The assessed land value associated with the one-acre homesite is \$35,181. Appellant does not dispute the total assessed land value, but contends the one-acre homesite should be valued at \$110,000.

Appellant discussed how the Idaho Legislature recently changed Idaho Code § 63-602G to include both land and building in the calculation of the homestead (a.k.a. homeowner's)

exemption. It was further noted that § 63-602G refers to the “homestead” which is defined in Idaho Code § 63-701.

Taxpayers’ specifically challenge the subject assessment regarding how the one-acre homesite was assessed. Appellants assert that Respondent divided subject’s total land value by the total acreage. This calculation resulted in a one-acre homesite value of \$35,180, which in turn allowed a homeowner exemption grant on the one acre of \$17,590.

Appellants maintained the one-acre homesite should be valued based on a comparison to other one-acre homesite sales. This appraisal unit would increase the first acre value and therefore increase the homeowner’s exemption. Referencing other one-acre homesites necessarily included typical homesite amenities. The subject homesite also has these amenities including water service, sewer or septic system, landscaping, roads, and electrical power. Subject’s additional acreage, beyond the first-acre homesite, is not so improved.

Taxpayers provided information on the assessed values of neighboring parcels. The land sizes ranged between .660 to 1.39 acres while the assessed values ranged from \$84,270 to \$110,000. For comparison, subject’s one-acre homesite was assessed at \$35,180.

The County agreed the application of the homeowner’s exemption appeared inequitable. However it noted that when the law first took affect, the State did not know how it would be implemented. Respondent explained existing computer software was used in the homesite value calculations under the new law. Purportedly programming changes were not addressed at the time of evaluations and there was insufficient time to recalculate the values.

Respondent requested the Board uphold subject’s assessed value for 2007 as other similarly situated properties were treated the same. The County provided the equity issue would be addressed in the 2008 assessments.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value or exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

The issue in this appeal is the proper application of the homeowner's exemption to the first acre of subject parcel. The case involves recent changes to Idaho Code § 63-602G. In that exemption statute, the words "residential improvements" were replaced with the word "homestead", which term is defined in § 63-701 as including the dwelling plus up to one (1) acre of ground. The issue in this case is precisely how the one acre should be valued. The resulting value is allowed the homeowner exemption up to certain statutory limits, which limits can and do change annually. Language from Section 63-602G follows. The second paragraph is the definition language from Section 63-701.

PROPERTY EXEMPT FROM TAXATION -- HOMESTEAD. (1) During the tax year 2006 and each year thereafter, subject to annual adjustment as provided herein, the first seventy-five thousand dollars (\$75,000) of the market value for assessment purposes of the homestead as that term is defined in section 63-701, Idaho Code, or fifty percent (50%) of the market value for assessment purposes of the homestead as that term is defined in section 63-701, Idaho Code, whichever is the lesser, shall be exempt from property taxation.

(2) "Homestead" means the dwelling, owner-occupied by the claimant as described in this chapter and used as the primary dwelling place of the claimant and may be occupied by any members of the household as their home, and so much of the land surrounding it, not exceeding one (1) acre, as is reasonably necessary for the use of the dwelling as a home. It may consist of a part of a multidwelling or multipurpose building and part of the land upon which it is built. "Homestead" does not include personal property such as furniture, furnishings or appliances, but a manufactured home may be a homestead.

Historically a one-acre farm homesite has been carved out and valued separately on

agricultural exemption parcels. The appraisal unit was the first buildable acre (or more land as indicated) together with the associated site improvements. Comparable sales were thus similar one-acre properties. This Board assumes, and the parties agreed, that this was the same assessment treatment intended by the Legislature in changing the exemption in Section 63-602G. Such treatment is also suggested by Section 63-701 and constitutional equity standards.

Respondent provided at hearing, that had its software been undated subject's one-acre homesite would have been assessed differently. Due to administrative constraints subject was assessed more simply by dividing total land value by total acres to get an average value per acre. Using this method resulted in a lower homesite value, and consequently reduced taxpayers' homestead exemption grant. This in turn raised taxes higher than they would otherwise have been.

The Board understands the County plans to correct this problem in the 2008 assessments. But this Board must respond to the issue presented to us by Appellants in 2007. Where the correct and fair treatment is to consider the one-acre homesite as a standalone unit we will order the value changed for 2007. Appellants suggested a market value of \$110,000. This was arrived at with particular attention given to the one-acre standard. The \$110,000 value for subject's first-acre was not disputed by Respondent. Such a value for 2007 appears reasonably equitable with neighboring assessments. Therefore the Board will reverse the decision of the Bonner County Board of Equalization and order subject's homesite acre be valued at \$110,000. The County shall then recalculate the exemption grant under Section 63-602G and make such adjustments to taxes as are called for.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the

Bonner County Board of Equalization concerning the subject parcel's one-acre homesite value be, and the same hereby is, REVERSED increasing the value to \$110,000. There is no change to the total parcel's assessed value. IT IS FURTHER ORDERED the County shall recalculate the homestead exemption on subject in light of the change to the homesite value.

IT IS FURTHER ORDERED that any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellants.

MAILED March 30, 2008